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The Director of Central Intelligence

Washington, D.C. 20505

National Intelligence Council

NIC 04987-85
4 October 1985MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central IntelligenceFROM: Graham E. Fuller
National Intelligence Officer for NESASUBJECT: What Does Iraq Want to End the War?

1. We have long felt that Iran holds the determining cards for war or peace in the Gulf; we have therefore been concerned about Iranian conditions for a settlement. I believe we need to consider carefully the prospect that Iraq and not Iran now may be moving toward victory and that Iraq's terms for peace may be very harsh and capable of creating even deeper and undesirable turmoil in Iran.

2. As you know, there has been some debate within the Community as to whether Iran or Iraq is more vulnerable to collapse.

- State/NEA continues to worry that Iraq is a very weak reed, and that Iraqi stayability should represent our priority policy concern--even while giving due to the importance of US-Iranian ties in the future.
- Most of the Intelligence Community feels that an Iranian collapse is more likely than an Iraqi collapse--while recognizing some brittleness in Baghdad's political situation.

3. For several years now we have been saying that Iraq is ready for peace and would be willing to settle with Iran under any reasonable terms. This thesis bears closer examination.

- Iraq now seems more determined--for the first time ever--to really take out Kharg. Although this will not automatically spell an end to the war, it almost certainly will hasten the moment of truth in Iran and possibly the beginning of great turmoil there as Iran's economy plummets.
- Under these circumstances I have very considerable reservations about whether Iraq will then move toward a swift settlement.

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4. Saddam's invasion of Iran has been the major blunder of his career. It has cost over 100,000 casualties, and has drained Iraqi reserves from well over 30 billion before the war down to next to nothing. It has imposed major hardship on the country. The Iraqi army--while not defeated--has been clearly expelled from Iran under military pressure.

- Saddam will become much more vulnerable once the war is over. No Iraqi in his right mind would seek Saddam's overthrow during the war because it would probably only whet Iranian appetites further. After the war, however, there may be more who wish to settle the score with this leader who has made many enemies.
- If Saddam is to survive, he has got to show that he has come out of this war very well indeed with much to show for Iraq. If Saddam believes that Iran could now be humbled, he will be tempted to extract as much as possible out of Iran.
- At the least this would involve renegotiation of the Shatt al-Arab waterway on Iraqi terms. He might well wish to further destroy Iranian war-making potential. He might also seek to continue to weaken Iranian oil production capability. Iran and Iraq will be intense rivals on the oil market at the end of the war at a time of falling prices and production glut. It is inconceivable that Baghdad would agree even in principle to Iraqi war reparations to Iran--regardless of who pays for them. While I doubt that Saddam would be encouraged to take another swipe at Iranian territory through renewed invasion, I cannot predict how far Iraqi vengeance and desire to exploit its superior position would go.

5. In short, we better not assume any generosity or give on Iraq's part to settle the war once they sense the whiff of victory in their nostrils. Saddam's own position is at stake and he must look good. The opening of the post-war struggle for power in the Gulf between Iran and Iraq will be underway, and Iraq will want to start out in the driver's seat. The logic is for a harsh Iraqi-imposed peace.

- Here our old concerns about Soviet opportunities in Iran resurface. Could the Iraqis in a victory mood end up contributing heavily toward pushing Iran into Soviet hands? This topic is certainly worth raising with Tariq Aziz, the Iraqi Foreign Minister, when he gets to town next week.



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